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TO: Members of Pennsylvania Association of Community Bankers (PACB)
FROM: SHUMAKER WILLIAMS, P.C.
RE: Revenue Crackdown on Use Tax
Our File No: 269-05(8)

The use tax is the counterpart of the sales tax and applies to internet, mail order, out of state, toll free "800" numbers, and other purchases of taxable items when Pennsylvania Sales Tax has not been paid.

At a recent meeting of the PACB Board, the issue of membership self-compliance reporting of transactions subject to the Pennsylvania use tax took place. It was noted that the Pennsylvania Department of Revenue, has created an internal unit known as the Enforcement Planning Analysis and Discovery Bureau Production Management Division ("E-PADS") to deal with future matters concerning sales and use tax compliance in the Commonwealth. Counsel for PACB, Shumaker Williams, P.C., has advised that notices would be forwarded to PACB members, as well as other banking organizations, to attend a meeting to be conducted by E-PADS sometime in calendar year 2007. It is anticipated that detailed information will be provided by the Pennsylvania Department of Revenue, E-PADS Unit, highlighting sales and use tax compliance as required under 72 Purdon's Statute, §7202(b), 61 Pa. Code §31.7.

PACB members are advised that certain actions have recently been taken by PACB and its counsel, Shumaker Williams, P.C., challenging the unilaterally proposed amendments to the Sales and Use Tax Act, by the Pennsylvania Department of Revenue to repeal, *inter alia*, its regulations on "Financial Institution Security Equipment" at 61 Pa. Code §46.9. Objections filed by PACB to the proposed repeal of the aforementioned regulations have had an impact on the future use tax audit by E-PADS of the banking industry and contributed to the current delay by E-PADS to initiate a state-wide use tax audit of the Pennsylvania banking industry.

This "Alert" is presented to all PACB members to focus on and initiate self audits of use tax compliance from the later of three years after the date a use tax return was filed or the end of the year in which the tax liability arose. If no return has been filed, the amount of the tax due can be assessed and collected at any time, along with interest and penalties. Use tax returns should be voluntarily filed after PACB members' self audits.

If you have any questions or comments concerning this "Alert", please feel free to contact PACB at 717-231-7447.

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